



Investment Office

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AGENDA ITEM 8c

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Investor's Guide to Hedge Funds Investing
- II. PROGRAM:** Global Equity
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Summary

In late September 2007, the President's Working Group on Financial Markets ("PWG") requested a group of well-recognized and respected investors to draft a 'Principles and Practices for Hedge Fund Investors'. This group, the Investors' Committee, is chaired by me. The PWG also requested a group of well-recognized hedge fund managers to draft a 'Best Practices for the Hedge Fund Industry'. This group is chaired by Eric Mindich, CEO and founder of Eaton Park Capital Management.

Each committee was instructed to craft a document with the objective of it being used by its peers as a guide to best practices. Both committees have designed their documents to enhance market discipline, mitigate systemic risk, and augment regulatory safeguards regarding investor protection. The documents will provide guidance to determining whether to invest in hedge funds as well as the management and oversight of hedge fund investments.

The attached slide presentation will provide the Board more insight into the work that has been completed to this point. On April 15, the documents from both committees were made available for public comment.

V. STRATEGIC PLAN:

This item is not a product of the CalPERS Strategic Plan.

VI. RESULTS/COSTS:

There are no explicit costs associated in working with the President's Working Group. However, staff did incur indirect costs such as time spent on researching and reviewing the document.

Russell Read
Chief Investment Officer